

VZCZCXRO7114
OO RUEHDBU RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV RUEHSR
DE RUEHBS #0410/01 0821157
ZNY CCCCC ZZH
O 231157Z MAR 09
FM USEU BRUSSELS
TO RUEHC/SECSTATE WASHDC IMMEDIATE
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 000410

NOFORN
SIPDIS

NSC FOR KVIEN

E.O. 12958: DECL: 03/23/2019
TAGS: [PREL](#) [ECON](#) [ENRG](#) [ECIN](#) [EPET](#) [EUN](#) [XH](#)
SUBJECT: EU: DAS BRYZA'S MARCH 16 DISCUSSIONS ON ENERGY AND
REGIONAL SECURITY

Classified By: USEU Polmincouns Chris Davis for reasons 1.5(d) and (e)

11. (C/NF) SUMMARY: During a Brussels stop on March 16 EUR
DAS Matthew Bryza consulted EU officials on a range of
regional political, security and energy-related issues,
including EU enlargement, Turkey-Cyprus, frozen conflicts,
and pipeline politics. DG Enlargement contacts foresaw no/no
imminent Turkey crisis if Cyprus talks continue. On Georgia,
Bryza concurred with EUSRs Morel and Semneby on the
increasing importance of the EU Monitoring Mission,
especially in the face of continued Russian obstruction of
the UN and OSCE monitoring missions. The Commission asked
for U.S. help to persuade Ukraine's political leadership to
move forward on unbundling gas transit system ownership and
implementing IMF conditionality. The Ukrainian Ambassador to
the EU downplayed the prospect for any movement on unbundling
until after Ukrainian elections and viewed the March 23
EU-Ukraine Conference on Rehabilitation of Ukraine's Gas
Transit network mainly as a public relations opportunity.
Senior Commission and Council officials noted EU support for
the Nabucco natural gas pipeline remained on track, with one
noting that Commission support for the project could expand
from the current 200 million euros to 500 million or more.
On Belarus, the Commission believed that Minsk cancelled
Commissioner Ferrero-Waldner's planned March 13 visit under
pressure from Moscow. END SUMMARY.

Turkey Accession: No crisis if Cyprus talks continue

12. (C/NF) European Commission Director General for
Enlargement Michael Leigh told visiting DAS Matthew Bryza
March 16 that Cyprus is "the big deal" right now. Leigh said
that if talks on the island are still continuing this fall,
Member States will most likely seek to avert the "Turkey
crisis" that would arise from insisting that Turkey implement
the Ankara protocol by the end of 2009. Leigh said the EU's
language regarding Turkey's obligations under the Ankara
protocol (whereby Turkey opens its ports to Cypriot vessels)
was carefully chosen to give the EU some wiggle room by not
setting a clear deadline for implementation. He warned,
however, that if talks on Cyprus were to break down, some
Member States may see a need for a "moment of truth" that
could derail the Turkish accession process.

13. (C/NF) Furthermore, absent a Cyprus settlement, the EU is
also running out of chapters that can be opened. The few
chapters that are not politically blocked, such as 16
(taxation) and 19 (social policy and employment), require
concessions by Ankara, such as changing its law on trade
unions and its policy regarding the taxation of the Turkish
liquor raki. If Turkey does not make these concessions,
there is a true risk that no chapters will open under the
Czech presidency. Should this occur, Leigh said, it would be
a real embarrassment for Turkey's new chief EU negotiator
Egemen Bagis, who pledged to accelerate the process.

14. (C/NF) Regarding chapter 15 (energy), Leigh was

pessimistic it could be opened. He said that Cyprus wants a written declaration from Turkey that pending a decision on the delineation of the sea through international arbitration, Turkey will refrain from using force (note: the ROC is referring to the warships Turkey sent to the area where there was drilling.) Turkey refuses to sign such a declaration, so the EU is now asking Cyprus if it will instead accept an EU declaration. Meanwhile, Leigh said, Erdogan insists there will be no progress on Nabucco until the energy chapter opens. Bryza asked about the utility of forming a working group in Brussels to try to work through some of these issues, including NATO-EU blockages and the energy chapter. Leigh responded that while anything that addressed the problems would be helpful, he felt that both sides had firmly dug in their heels.

Ukraine must get on with gas transit network unbundling

15. (C) On March 16, Gunnar Wiegand, Commission (RELEX) Director for Russia, Eastern Europe and the Caucasus, told DAS Bryza that on March 17 a senior Ukrainian delegation would visit Brussels to resolve outstanding issues related to the EU-Ukraine Joint Conference on the Rehabilitation of Ukraine's Gas Transit Network scheduled for March 23. The Commission would decide whether to go forward with its co-sponsorship of the conference based on the GOU's response to President Barroso's March 13 letter to President Yushchenko and PM Tymoshenko calling on them to move ahead with "soft unbundling" of the gas transmission system, i.e., creation of a financially and legally separate entity to run the transit network. The Ukrainian delegation was to include Presidential advisor on energy issues, Deputy FM, Deputy

BRUSSELS 00000410 002 OF 003

Energy Minister, and Deputy Head of Naftohaz.

16. (C) In a separate meeting the same day with DAS Bryza, Ukrainian Ambassador Andrei Veselovsky downplayed the seriousness of the problems with the conference. Further, he expected that Ukraine would not be able to comply with the separation demand until after national elections early next year. Veselovsky indicated that he viewed the March 23 EU-Ukraine Conference on Rehabilitation of Ukraine's Gas Transit network mainly as a public relations opportunity for Ukraine to restore the confidence of gas investors and consumers after the January Russia-Ukraine gas crisis. He said Ukraine remained interested in trilateral energy cooperation between the United States, EU, and Ukraine, but noted that the Commission was divided on whether to pursue the matter. (Comment: USEU understands that Veselovsky was referring to Barroso cabinet staffers who favor trilateral cooperation and RELEX Commissioner Ferrero-Waldner who is said personally to oppose it. End Comment)

EU: Let's get ahead of Russia on new energy "architecture"

17. (C) Wiegand (Commission) said he expected Putin to use the situation with Ukraine to call for South Stream and a new international energy treaty. The Commission wanted to put itself in an offensive rather than a defensive posture with respect to expected Russian calls for a new energy "architecture." To that end, the Commission was looking at how to preserve and expand the EU's Energy Charter Treaty (ECT) to address issues such as transit, interdiction, and short-term dispute settlement procedures. Wiegand asked for the new U.S. Administration views on this idea. Bryza responded that Secretary Clinton was personally engaged and driving the State Department forward on energy security matters. As for EU and U.S. messages to Russia, Bryza said it was important to push Russia for third-party access (including Russian national firms) to Gazprom's pipelines. Wiegand agreed, noting that the ECT already called for this provision. On the EU side, Wiegand acknowledged that a radical restructuring of the European gas market to render it truly competitive would also be crucial.

(C) 200 million euro or more for Nabucco

¶18. (C) In a meeting with Klaus Gretschnann (strictly protect), Director General at the EU Council of Ministers for Telecommunications, Information, Research, Energy, and Transport, Gretschnann said that the EU is looking strategically at Nabucco and is willing to invest in the project. The Commission proposed 200 million euros for Nabucco as part of the EU's 5 billion euro recovery package. (Note: the amount was approved by the European Council on March 20). Gretschnann said as much as 300 to 400 billion euros in assistance could be made available, if "requested" by the Nabucco consortium, as a sign of support. He added that Germany opposes the support for Nabucco as no funds have been proposed for Nord Stream.

Georgia: EUMM's importance

¶19. (C) Referring to his recent travel to Tbilisi, Bryza briefed EU interlocutors on economic and political developments in Georgia. In separate meetings with Gunnar Wiegand (Commission) and EU Special Representatives for the Caucasus Peter Semneby and for Georgia and Central Asia Pierre Morel (Council Secretariat), Bryza noted that, despite dangerous rhetoric from the radical opposition, Georgian senior officials had indicated that they understood their responsibility to exercise restraint during scheduled protests on April 9. However, GoG officials had indicated that they would not allow any protesters' to occupy government buildings. Bryza pointed out to EU officials that a peaceful April 9 could spur the government's confidence to go forward with a new round of internal reform, including with respect to the electoral code.

¶10. (C/NF) EU officials readily agreed with Bryza on the increasing importance of the EU Monitoring Mission in Georgia, given continued Russian efforts to unwind the international presence (including UNOMIG and the OSCE Mission) in the country. On Abkhazia, Semneby and Bryza agreed that the Euroatlantic community should strive for non-recognition of Abkhazia on the one hand, and engagement with its leadership on the other. Bryza also compared notes with EUSRs Semneby and Morel on the Geneva process and about possible UN ideas with respect to administrative borders.

¶11. (C) Turning to economic matters, Bryza noted that Georgia's economy was doing relatively well and that its

BRUSSELS 00000410 003 OF 003

banks remained solvent due in part to international post-war assistance. At the same time, Georgia's Prime Minister had privately expressed concern to Bryza about the potential for banking sector problems in the next few months due to the delayed effect of the international economic crisis. As a preventive measure, Georgia was tentatively exploring prospects for a 250 million USD credit line. EU interlocutors demurred on the prospect of European support for such a request. Wiegand noted that the Commission's April 21 progress report on Georgia's implementation of its commitments under the European Neighborhood Policy would be "fair, but critical, and not bashing." Wiegand readily acknowledged that Georgia was in a better position relative to others countries in the region that had regressed seriously on human rights.

Belarus: Policy Convergence?

¶12. (C) Bryza's meeting with Jacek Saryusz-Wolski, Member of the European Parliament and Foreign Affairs Committee Chairman (Poland), focused on energy issues and Belarus. Saryusz-Wolski called for greater "policy convergence" between the United States and EU in order to achieve twin Euroatlantic objectives of "slow measured change" and avoidance of Russian domination of Belarus. For its part, Minsk had fulfilled the first half of its bargain with Warsaw: granting the Polish Congress in Belarus to meet. Now

Warsaw awaited the follow through by Minsk on its promise to re-legalize the Union of Poles. More broadly, the EU hoped to use the Eastern Partnership as a means to squeeze out of Lukashenko reform of the electoral code, criminal code , NGO registration and other tangible reforms. Saryusz-Wolski also encouraged the United States to speak publicly in support of the Eastern Partnership.

¶13. (U) This message was cleared by EUR DAS Bryza.
MURRAY

.